

# **ORGANIZED CRIME ON WALL STREET**

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HEARING  
BEFORE THE  
SUBCOMMITTEE ON  
FINANCE AND HAZARDOUS MATERIALS  
OF THE  
COMMITTEE ON COMMERCE  
HOUSE OF REPRESENTATIVES  
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**PRESS RELEASE**

**19 DEFENDANTS INDICTED IN  
STOCK FRAUD SCHEME THAT WAS PROTECTED  
AND PROMOTED BY ORGANIZED CRIME**

LORETTA E. LYNCH, United States Attorney for the Eastern District of New York, LEWIS D. SCHILIRO, Assistant Director-in-Charge of the Federal Bureau of Investigation in New York, and HOWARD SAFIR, Commissioner, New York City Police Department, today announced the indictment of nineteen defendants, including six members and associates of various Organized Crime Families of La Cosa Nostra, who are charged with participating in a large-scale stock fraud and money laundering scheme between 1993 and 1996. Seventeen of the nineteen

defendants are charged with racketeering

The charges in the indictment center on the activities of two brokerage firms with offices in downtown Manhattan: White Rock Partners & Co. ("White Rock") and State Street Capital Markets Corporation ("State Street").<sup>1</sup> The indictment alleges that the principals of White Rock and State Street, together with other brokers and brokerage firms, planned and carried out a series of fraudulent securities schemes and then laundered tens of millions of dollars of illicit profits.

As alleged in the indictment, the schemes were led by the defendants JOHN DOUKAS and WALTER DURCHALTER, together with Gennady Klotsman, Salvatore Lauria and Felix Sater, who collectively controlled White Rock and State Street ("the White Rock and State Street Partners").<sup>2</sup> The White Rock and State Street Partners secretly acquired large blocks of stock and warrants in the following four companies: Country World Casinos, Inc. ("Country World"), which was based in Colorado and was purportedly attempting to develop a casino in Black Hawk, Colorado; Holly Products, Inc. ("Holly"), which was based in Moorestown, New Jersey and was in the business of manufacturing tables and cabinets for the gaming industry and custom-built equipment for hospitals; U.S. Bridge of New York, Inc. ("USBNY"), which was based in Queens, New York and was a subcontractor on public infrastructure projects in the greater New York area; and Cable & Co. Worldwide, Inc. ("Cable"), which had offices in New York and New Jersey and designed and imported men's footwear which was sold to department and specialty stores in the United States.

The indictment alleges that the White Rock and State Street Partners were able to

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<sup>1</sup>White Rock and State Street ceased operations in late 1996.

<sup>2</sup>Klotsman, Lauria and Sater have previously pleaded guilty to RICO charges in connection with their activities at White Rock and State Street.

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acquire secret control of these securities through undisclosed financial arrangements with the following defendants: ABRAHAM SALAMAN, a stock promoter who provided the Country World stock; LARRY BERMAN, Holly's chairman and chief executive officer; and JOSEPH POLITO, SR., an associate of the Gambino Organized Crime Family who was the president and principal shareholder of USBNY.

As alleged in the indictment, the White Rock and State Street Partners secretly acquired control of the securities in the name of various nominees including the defendant DANIEL LEV. Most often, the nominees were off-shore companies controlled by the White Rock and State Street Partners. The price of the securities was then artificially inflated through the activities of brokers who fraudulently sold the stock to investors in return for received undisclosed cash payments from the White Rock partners. These brokers included the defendants JACK BASILE, ROCCO BASILE and JOSEPH TEMERINO at White Rock, and ALFRED PALAGONIA and JOHN CIOFFOLETTI, who were brokers at J.W. Barclay & Co., Inc., and D.H. Blair & Co., Inc., respectively.<sup>3</sup> Among the techniques used to artificially inflate and maintain the price of the manipulated securities, the indictment alleges that the defendants: (a) made false and misleading statements to persuade investors to buy and then not to sell the securities; (b) purposely failed to take and execute customer orders to sell the securities, and (c) only executed a sale of a security if the sale could be matched or "crossed" with a corresponding purchase of the same security by another investor.

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<sup>3</sup>JACK BASILE also has securities fraud and money laundering charges pending against him in United States v. Dionisio, et al., 99 CR 589 (EDNY). ROCCO BASILE has securities fraud and money laundering charges pending against him in United States v. Catoggio, 98 CR 1129(S) (SDNY).

The indictment alleges that after the price of the stock was artificially inflated, the defendants sold their secretly held stock for a substantial profit. The proceeds from these illicit sales were then laundered through multiple transfers of funds to off-shore bank accounts by the defendant ALEKS PAUL, who then provided a corresponding amount of cash, less a money laundering fee, to the White Rock and State Street Partners.<sup>4</sup> Profits for other defendants were laundered through different schemes. For example, the indictment alleges that defendants JOSEPH POLITO, SR. and EDMOND NAGEL<sup>5</sup> secretly divided proceeds of approximately \$380,000 derived from the sale of USBNY warrants that were deposited in an off-shore nominee's brokerage account controlled by NAGEL.

The indictment further alleges that the White Rock and State Street Partners enlisted the help of individuals affiliated with Organized Crime Families of La Cosa Nostra to protect and promote their criminal activities by resolving disputes and performing other services. Defendant FRANK COPPA, SR. was a captain in the Bonanno Organized Crime Family. Defendant ERNEST MONTEVECCHI was a soldier in the Genovese Organized Crime Family.<sup>6</sup> Defendant DANIEL PERSICO was an associate of the Colombo Organized Crime family. Defendant EUGENE

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<sup>4</sup>PAUL also has securities fraud and money laundering charges pending against him in United States v. Schwartz, et al., 99 CR 372 (EDNY), and United States v. Paul, et al., 99 CR 261 (SDNY).

<sup>5</sup>NAGEL also has bank fraud charges pending against him in United States v. Gangi, et al., 97 CR 1215 (SDNY).

<sup>6</sup>MONTEVECCHI is in custody based on his 1999 conviction in United States v. Gangi, et al., 97 CR 1215 (SDNY).

LOMBARDO was an associate of the Bonanno Organized Crime Family.<sup>7</sup> COPPA, MONTEVECCHI, PERSICO and LOMBARDO resolved and attempted to resolve disputes relating to the hiring and retention of brokers, the extortion and attempted extortion of participants in the scheme, and concerted efforts to reduce the price of securities underwritten by White Rock and State Street through short selling. In return for this assistance, COPPA, MONTEVECCHI, PERSICO and LOMBARDO received compensation in the form of securities and cash proceeds from the sale of securities.

The indictment also alleges that, in connection with the USBNY fraud scheme, the defendant LARRY RAY agreed to pay \$100,000 to an executive of a bond brokerage firm to insure that USBNY would be granted bonding that would enable it to act as a general contractor on large-scale construction projects. Finally, the indictment alleges that defendants JOSEPH POLITO, SR., USBNY's president and an associate in the Gambino Crime Family, and EDWARD GARAFOLA, a soldier in the Gambino Crime Family, attempted to extort money from Felix Sater and others to recoup this \$100,000 cash payment, but that defendant ERNEST MONTEVECCHI intervened on Sater's behalf, causing the extortionate demands to cease.

The charges in the current indictment carry the following maximum sentences: as to each RICO count, 20 years imprisonment, 3 years supervised release, a \$250,000 fine (or twice the gross gain or loss) and an order of restitution; as to each money laundering count, 20 years imprisonment, 3 years supervised release, a \$250,000 fine (or twice the gross gain or loss) and an order of restitution; as to each substantive securities fraud count, 10 years imprisonment, 3 years

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<sup>7</sup>LOMBARDO is in custody based on his 1999 conviction in United States v. "Gangster" et al., 97 CR 1215 (SDNY).



seized it. A recurrent theme in our investigations has been that organized crime goes where the money is. We intend to be there when they get there."

Commissioner **SAFIR** stated, "I am pleased to join with United States Attorney Loretta Lynch, and Assistant Director-in-Charge of the Federal Bureau of Investigation in New York Lewis Schilitro, in announcing the indictment of 19 individuals responsible for a \$40 million dollar stock fraud ring. We called this 'Operation Street Cleaner,' because it was designed to fight fraud on Wall Street, but it could just as well been titled 'Goodfellas Meet the Boiler Room.' For those that seek to use these 'pump and dump' schemes to prey on unsuspecting investors, today's indictment should serve as a stark reminder that stock fraud is a serious crime and the law enforcement community is firmly committed to shutting down these and other illicit operations used to support organized crime."

Those defendants arrested in New York will be arraigned today by Magistrate Judge Joan M. Azrack at the United States Courthouse in Brooklyn.

The case is being prosecuted by Assistant U.S. Attorneys Jonathan S. Sack, Eric Corngold and Richard Molot.

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The Defendants

**FRANK COPPA, SR.**

8 Brittany Ct.

Manalapan, NJ

DOB: 9/11/41

Counts: 1, 2, 3, 4, 13, 14, 15, 16

**ERNEST MONTEVECCHI,**

a/k/a "Butch"

Incarcerated

DOB: 6/18/45

Counts: 2, 13, 14

**DANIEL PERSICO**

6615 Wallaston, Ct.

Brooklyn, NY

DOB: 4/9/62

Counts: 2, 13, 14

**JACK BASILE**

1444 73d Street

Brooklyn, NY

DOB: 2/7/73

Counts: 2, 5, 6, 7, 8

**ROCCO BASILE**

150 Bay 8th Street

Brooklyn, NY

DOB: 2/21/68

Counts: 2, 5, 6, 7, 8

**LARRY BERMAN**

450 Merion Rd.

Merion Station, PA

DOB: 11/30/34

Counts: 1, 2, 3, 4, 5, 6, 7, 8



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**JOHN CIOFFOLETTI**

27 Seagull Lane

Lincroft, NJ

DOB: 11/20/69

Counts: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 15, 16, 17, 18

**JOHN DOUKAS**

35 Briar Ct.

Cross River, NY

DOB: 2/19/48

Counts: 1, 2, 5, 6, 7, 8, 9, 10, 11, 12, 15, 16, 17, 18

**WALTER DURCHALTER,**

a/k/a "Dutch"

63-57 84th Street

Middle Village, NY

DOB: 9/30/65

Counts: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12

**EDWARD GARAFOLA**

143 Lander Ave.

Staten Island, NY

DOB: 3/25/38

Counts: 19, 20

**DANIEL LEV**

149-05 Rockaway Beach Blvd.

Neponsit, NY

DOB: 7/12/66

Counts: 1, 2, 9, 10, 11, 12

**EUGENE LOMBARDO**

Incarcerated

DOB: 4/20/52

Counts: 1, 2, 3, 4, 9, 10, 11, 12

**EDMOND NAGEL**

New York, NY

DOB: 11/1/40

Counts: 1, 2, 9, 10, 11, 12

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**ALFRED PALAGONIA**

18 Eastgate Rd.

Port Washington, NY

DOB: 12/31/66

Counts: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 15, 16, 17, 18

**ALEKS PAUL**

4 Ridgeway Drive

Kings Point, NY

DOB: 11/7/57

Counts: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12

**JOSEPH POLITO, SR.**

Boca Raton, Florida

DOB: 5/15/34

Counts: 1, 2, 9, 10, 11, 12, 19, 20

**LAWRENCE RAY**

2 Cedar Ridge Lane

Warren, NJ

DOB: 11/16/59

Counts: 9, 10

**ABRAHAM SALAMAN**

9728 Wynmill Rd.

Philadelphia, Pa.

DOB: 10/29/35

Counts: 2, 3, 4

**GIUSEPPE TEMPERINO,**

a/k/a "Joseph Temperino"

263 Avenue S

Brooklyn, NY

DOB: 8/27/74

Counts: 2, 5, 6, 7, 8